

PROG Holdings (Q1 Earnings)
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Corporate Speakers:

- John Baugh; PROG Holdings; Vice President of Investor Relations
- Steven Michaels; PROG Holdings; President and Chief Executive Officer
- Brian Garner; PROG Holdings; Chief Financial Officer

Participants:

- Kyle Joseph; Stephens; Analyst
- Robert Griffin; Raymond James; Analyst
- Hoang Nguyen; TD Cowen; Analyst
- Anthony Chukumba; Loop Capital Markets; Analyst
- Harold Goetsch; B. Riley Securities; Analyst
- Bradley Thomas; KeyBanc Capital Markets; Analyst

PRESENTATION

Operator^ Good day and thank you for standing by. Welcome to the PROG Holdings Q1 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your first speaker today, John Baugh, Vice President of Investor Relations. Please go ahead.

John Baugh^ Thank you. And good morning, everyone. Welcome to the PROG Holdings First Quarter 2026 Earnings Call. Joining me this morning are Steve Michaels, PROG Holdings' President and Chief Executive Officer, and Brian Garner, our Chief Financial Officer.

Many of you have already seen a copy of our earnings release issued this morning, which is available on our Investor Relations website, investor.progholdings.com.

During this call certain statements we make will be forward-looking including comments regarding our revised 2026 full year outlook and our outlook for the second quarter of 2026. Listeners are cautioned not to place undue emphasis on forward-looking statements we make today, all of which are subject to risks and uncertainties which could cause actual results to differ materially from those contained in the forward-looking statements. We undertake no obligation to update any such statements.

On today's call we will be referring to certain non-GAAP financial measures, including adjusted EBITDA and non-GAAP EPS, which have been adjusted for certain items which may affect the comparability of our performance with other companies. These non-GAAP measures are detailed in the reconciliation tables included with our earnings release. The company believes that these non-GAAP financial measures provide

meaningful insight into the company's operational performance and cash flows and provides these measures to investors to help facilitate comparisons of operating results with prior periods and to assist them in understanding the company's ongoing operational performance.

With that, I would like to turn the call over to Steve Michaels, PROG Holdings' President and Chief Executive Officer. Steve?

Steven Michaels^ Thanks, John. Good morning, everyone. Thank you for joining us. I'll start by saying we delivered a strong first quarter. We are very happy with the start to the year and the momentum we're seeing in the business. Our results came in at the high end of our revenue outlook and exceeded the top end of our outlook for earnings and non-GAAP EPS. This outperformance reflects the discipline of our operating model and strong execution across the organization, supported by higher-than-expected GMV with improved economics at Four, as well as better portfolio yield at Progressive Leasing, primarily due to lower-than-expected utilization of 90-day purchase options.

In an environment where the geopolitical and macroeconomic situation presents challenges including from rising gas prices, our model performed as designed. This consistency is a direct result of how we built and manage this business over time.

Let me provide some additional color on the quarter before walking through our strategic priorities. As I mentioned in February, we have begun framing growth through the lens of consolidated GMV, which grew 54% in Q1 compared to the same period last year. These results reflect the addition of purchasing power and the triple-digit growth of Four.

As our portfolio of solutions expands, GMV is generated through multiple products across leasing, Four, and purchasing power, and this consolidated view better reflects the full scale of our platform. It's a great example of how we are deploying an integrated ecosystem of solutions to better reach underserved individuals and families.

Starting with Progressive Leasing. GMV for the first quarter came in at 2.2% below the same period last year. However, trends improved meaningfully as the quarter progressed, with January down high single digits, February down low single digits and March up low single digits. As a reminder, throughout last year, our leasing business faced GMV headwinds from deliberate tightening actions and the bankruptcy of Big Lots. As we lapped both of those headwinds, particularly through February, leasing's GMV trends inflected positively in March. From a GMV standpoint, the quarter played out largely as expected, and we are excited to exit the quarter on a growth trajectory.

Four's GMV for the quarter was 134% higher year-over-year. Customer demand for our BNPL product remains robust, and importantly, we are seeing that growth translate into attractive economics and profitability which I'll discuss in more detail shortly.

Purchasing Power's Q1 GMV grew double digits at 10.3% year-over-year. This growth was due to favorable performance within existing employer accounts. We also added

several new employer clients during the quarter, bringing tens of thousands of new eligible employees onto the platform and supporting future growth. Consolidated revenue came in at \$743 million, representing 11% year-over-year growth. This performance was primarily as a result of the addition of Purchasing Power, along with growth at Four and partially offset by a revenue decline at Progressive Leasing due to a lower portfolio size throughout the quarter.

Consolidated adjusted EBITDA was \$90.3 million and non-GAAP EPS was \$1.24, both exceeding the high end of our outlook. This outperformance was fueled by better-than-expected portfolio yield and customer payment performance at Progressive Leasing as well as increased customer demand and profitability at Four.

To summarize the quarter, we delivered results above expectations, saw improving GMV trends while maintaining portfolio health at leasing drove profitable triple-digit growth with improving economics at Four achieved double-digit GMV growth at Purchasing Power and continue to execute against our ecosystem strategy.

Before we shift into our strategic priorities, I want to briefly address the broader environment and how it informs our updated outlook. The consumer we serve remains resilient, but they are facing real challenges. Gas prices are elevated, and there is increased uncertainty in the macro backdrop. We remain committed to continue to deliver consistent portfolio performance across all our businesses and managing costs prudently to achieve our earnings outlook. Our track record demonstrates our ability to adapt quickly, and we will do so as conditions evolve.

Let me now turn to our three strategic pillars, grow, enhance and expand to share some highlights from the quarter. Starting with the grow pillar. We saw encouraging traction at Progressive Leasing and Purchasing Power with remarkable growth at Four which collectively resulted in consolidated GMV being up 54% year-over-year.

For leasing, Q1 applications grew double digits year-over-year and GMV trends improved sequentially month-over-month, with March up low single digits compared to the prior year. In addition to lapping the tightening actions from early 2025, these results reflect our investments in technology to enhance customer experience and in marketing to promote engagement across both new and existing customers. You heard about many of these initiatives at our recent Investor Day we're pleased to say that they are continuing to have a positive impact on our business.

Our long-term distribution base of exclusive retail partners with approximately 70% of Progressive Leasing GMV secured into the 2030s provides a durable foundation for growth as we also gained balance of share within existing key retail partners. Additionally, our direct-to-consumer efforts spanning both marketing and digital channels have been meaningful drivers of growth. Within Marketing and Progressive Leasing, we leaned into customer acquisition, partner marketing and cross-product campaigns which drove increased engagement and incremental GMV. We focus further up the funnel while maintaining flat acquisition costs year-over-year. At the same time

our outreach channels including e-mail, SMS and push notifications, generated incremental GMV, reinforcing healthy consumer demand and improving return on ad spend.

On the digital front, PROG Marketplace delivered another notable quarter, growing at 169% year-over-year. We are scaling this channel through ongoing product enhancements, increased traffic and improved conversion. Our ecommerce channel also grew meaningfully due to deeper integrations with retail partners and improved digital checkout experiences. Q1 ecommerce GMV was 25.7% of total Progressive Leasing GMV up from 16.8% in the same period last year and the highest first quarter mix to date.

Shifting to Four. We delivered another triple-digit growth quarter, our tenth in a row, with performance powered by both customer acquisition and engagement. The team rolled out AI-driven product enhancements that simplify the shopping experience and average order values increased year-over-year. Monthly active users more than doubled compared to a year ago, reflecting growing consumer interests.

On marketing side, spend was deployed efficiently to support growth maintaining a healthy balance between paid and organic customer acquisition.

Finally, Purchasing Power delivered double-digit GMV growth, reinforcing the strength of its model and its strategic role within our ecosystem. Its payroll deduction model represents a differentiated distribution mode, serving employees who value predictable, convenient purchasing options through their paycheck. We remain in the early stages of deeper integration including introducing Purchasing Power to our retail partner employee bases and leveraging addressable employer relationships to expand leasing distribution. Over time we believe this opportunity represents a meaningful incremental growth lever.

From a marketing perspective, early media testing and purchasing power is showing encouraging results, demonstrating our ability to improve penetration within the eligible population. Under the enhanced pillar, our investments in improving both customer and retailer experiences are progressing with several initiatives beginning to deliver positive results. Our AI-driven lease eligibility engine is scaling meaningfully. We've expanded our leasing product catalog and improved response times from three seconds down to 1/10 of a second.

At the same time, we are advancing customer experience enhancements that are driving higher conversion. We deployed multiple AI-driven improvements across our marketplace including an AI chatbot assistant, enhanced payments navigation and a new AI-powered checkout flow that simplifies and streamlines the transaction process. These marketplace enhancements have delivered an approximately 20percentage point improvement in checkout conversion versus the prior experience while also lowering cost to serve and improving operational efficiency.

The focus remains clear: enhance the customer experience to support higher customer lifetime value while improving the economics of the business. Under the expand pillar, Four is scaling and Purchasing Power is growing double digits, in line with expectations as integration efforts advance.

We remain intensely focused on strengthening our ecosystem. Four executed at a high level delivering 142% revenue growth in Q1 2026, the tenth consecutive quarter of triple-digit GMV and revenue growth. Q1 GMV reached \$280 million, more than doubling Q1 2025 and March 2026 GMV of \$108 million was the second highest month in company history.

Customer engagement trends remained favorable with average purchase frequency of approximately five transactions per quarter and more than 130% growth in active shoppers year-over-year. New shoppers grew approximately 80% year-over-year, representing expansion of the platform's customer base. Four subscription model remains a key driver with Four Plus subscribers continuing to contribute approximately 80% of total GMV.

Four's take rate defined as revenue generated as a percentage of GMV over the trailing 12-month period remained consistent at approximately 10%, indicating positive monetization efficiency as the business scales. From a profitability standpoint, Four generated adjusted EBITDA of \$12.9 million in Q1 2026, already exceeding full year 2025 adjusted EBITDA of \$9.9 million. Q1 adjusted EBITDA margin was 37%, reflecting the benefits of scale.

While Q1 is seasonally the highest margin quarter, following elevated GMV from the holiday period, the business continues to demonstrate meaningful operating leverage.

MoneyApp, our cash advanced product grew revenue over 50% in the first quarter and continues to play an important role as both an engagement and cross-sell driver within our ecosystem. Growth as a result of higher average advanced sizes as well as early traction from a new product we introduced in December called Pop-Ups which allows qualifying customers to responsibly access additional funds on top of an existing advance.

While still early, Pop-Ups are beginning to generate incremental revenue and represent another avenue for us to deepen customer engagement and expand the platform over time. Our ecosystem strategy is gaining traction. At our Investor Day in March, I highlighted that cross product engagement is a strategic priority because we believe it is a key component of long-term growth and value creation. We are seeing progress from our ecosystem first approach with customers increasingly engaging across multiple products, driving higher lifetime value and improved acquisition efficiency.

Four is currently our most connected product often serving as an entry point and engagement driver across our platform. Progressive Leasing showed the most meaningful improvement in cross product engagement during the quarter with more of its customers

interacting with other offerings. Notably, we also drove the largest overlap and fastest growth in overlap between Progressive Leasing and Four customers.

Before turning it over to Brian, let me touch on capital allocation. Our priorities remain unchanged: invest in the business, pursue strategic M&A and return excess capital to shareholders through share repurchases and dividends. In February, I told you that in the near term, we will focus on prioritizing debt reduction as we work toward our long-term net leverage target of 1.5 to 2x, and we did. During the quarter, we paid down \$210 million in recourse debt ending Q1 with a net leverage ratio of 2x. To summarize the quarter, we delivered results above expectations led by consistent execution and improving demand trends across the business.

Importantly, these results were achieved while continuing to invest in our strategic priorities, advancing our direct-to-consumer capabilities, scaling our digital channels and deepening integration across our platform. Overall, our distribution moat, diversified ecosystem and data-driven decisioning capabilities position us well to perform across a range of environments. I firmly believe the best chapters of PROG story are still ahead of us.

With that, I'll turn the call over to Brian. Brian?

Brian Garner^ Thanks, Steve. And good morning, everyone. Our strong performance in the first quarter was broad-based and reflects disciplined execution across each of our businesses as well as some margin favorability from consumer behavior in the leasing segment.

In a short period of time we made significant progress against our goal of deleveraging following the Purchasing Power acquisition. And as we exit the quarter, we are within our target net leverage range of 1.5 to 2x. I'll begin with our Q1 results of Progressive Leasing, followed by Four Technologies, Purchasing Power and then move to consolidated results.

I'll close with an update on our balance sheet, capital allocation and our revised full year 2026 outlook. While more broadly, consumer demand across several discretionary categories remains pressured, our teams executed well on the areas within our control including targeted growth initiatives, decisioning, expense discipline and capital deployment, enabling us to deliver results ahead of expectations and reinforcing the underlying opportunities within the business.

Starting with Progressive Leasing. First quarter GMV came in at \$393 million, representing a 2.2% decline year-over-year which was in line with our expectations. As Steve outlined, this performance reflects two primary factors in the first half of the quarter. The tightening actions we implemented last year to preserve portfolio performance and the lapping of remaining GMV from Big Lots following their bankruptcy.

As we progress through the quarter and move past these headwinds, GMV trends improved sequentially, returning to low single-digit growth in March. Revenue for the Progressive Leasing segment was \$597 million in the first quarter down 8.4% year-over-year, primarily a result of a smaller average lease portfolio throughout the quarter. The lower gross leased asset balance which is down 9.4% entering the quarter compared to a year ago, created a headwind to Q1 revenue.

We ended the first quarter with a portfolio size down 5.4% year-over-year. As we executed against our growth initiatives of Progressive Leasing, we expect this portfolio headwind to subside and the revenue compare will become less difficult as the year progresses. Additionally, utilization of the 90-day early purchase option which is seasonally high in Q1 due to tax refund season came in lower than expected for the quarter and below 2025, while an environment where fewer customers are electing to exercise their 90-day purchase option represents a revenue headwind in the period, over time we expect total revenue, gross profit and margins to trend favorably.

Gross margin for Progressive Leasing was 31.5% in the quarter, up 210 basis points year-over-year. Margin expansion stem from improved portfolio yield and a higher proportion of customers choosing to remain in their lease agreements longer which, in part, ties to a lower 90-day purchase option activity. Lease merchandise write-offs came in at 7.3% of lease revenue within our targeted annual range of 6% to 8% and a 10 basis point improvement from the Q1 2025 rate of 7.4%. This result reflects the benefits of the tightening actions taken a year ago, and we have been largely comfortable with the trends we have seen since those changes.

As we've consistently emphasized, protecting portfolio health remains our top priority, and we are closely monitoring payment behavior, delinquencies and vintage level performance, and we are pleased with what we have seen year-to-date. Progressive Leasing's SG&A for the quarter was \$81.3 million or 13.6% of revenue compared to 12.6% in Q1 of 2025 and was flat in total SG&A dollars spent even as we invest selectively in areas to support long-term growth including technology modernization, customer experience and AI initiatives.

As we've demonstrated over time we remain focused on balancing near-term expense discipline with investments that enhance the durability and scalability of the business. Adjusted EBITDA for Progressive Leasing was \$77 million or 12.9% of revenue at the high end of our long-term target range of 11% to 13% representing a 260 basis point improvement year-over-year. This performance was primarily the result of operational execution including managing portfolio performance and yield partially offset by the revenue headwind of a smaller lease portfolio throughout the quarter.

Turning to Four Technologies. Q1 GMV reached \$280 million, representing growth of 134% year-over-year and marking the tenth consecutive quarter of triple-digit GMV growth. March alone generated \$108 million in GMV, the second highest month in company history. Revenue of \$35 million exceeded expectations, growing 142% year-over-year. Adjusted EBITDA was \$12.9 million, representing a margin of 37%.

I would note that Q1 is the strongest margin period for Four and throughout the remainder of the year, I expect margins to moderate to the range implied in the revised outlook for the segment. Underlying economics are improving, and we remain highly encouraged by the performance of the business across both growth and profitability metrics.

Finally, switching to Purchasing Power. Q1 GMV was \$132.7 million, representing 10.3% growth. Revenue for Purchasing Power was \$107.1 million in first quarter with adjusted EBITDA of \$0.8 million, consistent with the near breakeven results we expected. As a reminder, Purchasing Power seasonally generates a greater proportion of its revenue and earnings in the back half of the year, particularly in the fourth quarter. Integration efforts are on track and we remain encouraged by the progress we are making across both front-end and back-end synergies as well as its strategic fit within our broader ecosystem. Transitioning to consolidated results.

We delivered strong GMV growth with continuing operations increasing 54% year-over-year to \$806 million, driven by the addition of Purchasing Power and growth at Four. Revenue from continuing operations grew 11.1% year-over-year to \$742.7 million, reflecting the addition of Purchasing Power and triple-digit growth at Four Technologies partially offset by the revenue decline in Progressive Leasing. From an earnings perspective for continuing operations, consolidated adjusted EBITDA was \$90.3 million or 12.2% of revenue and non-GAAP diluted EPS was \$1.24, both exceeding the high end of our February outlook and delivering 29% and 38% year-over-year growth, respectively.

Turning to the balance sheet. We ended the first quarter with \$69.4 million of unrestricted cash and total available liquidity of \$419.4 million including our revolving credit facility. We ended the quarter with \$650 million of recourse debt. Since closing the acquisition, we paid down recourse debt by \$210 million, resulting in a net leverage ratio of 2x trailing 12-month adjusted EBITDA. As a reminder, this ratio excludes the nonrecourse ABS debt used to fund Purchasing Power operations does not add back the associated interest expense to adjusted EBITDA and only includes the Purchasing Power adjusted EBITDA since the acquisition.

Importantly, net leverage was approximately 2.5x immediately following the acquisition on January 2 of 2026. Since then, our focus has been on integrating Purchasing Power and driving meaningful deleveraging and we have made material progress in the quarter, bringing net leverage back within our long-term target range of 1.5 to 2x. As we move through the balance of the year, we expect to remain below two turns. We returned capital to shareholders in the first quarter through our quarterly dividend, paying \$0.14 per share, a 7.7% increase from the prior year quarter.

I would now like to touch on a few key aspects of our second quarter and revised full year outlook which was provided in this morning's earnings release. Despite their macroeconomic challenges, we believe our GMV momentum at a consolidated level will

carry into the remainder of the year. Improving leasing GMV trends positively impact the gross lease asset balance which is a leading indicator of future period revenue. Four is delivering strong growth with improving economics and Purchasing Power is just being started on realizing its GMV and margin potential.

Portfolio performance at leasing is expected to remain healthy as we actively manage yields while balancing GMV growth. We expect full year 2026 lease merchandise write-offs to remain within our targeted annual range of 6% to 8%. Our revised consolidated outlook for 2026 raises expectations on both revenue and earnings from continuing operations, reflecting the Q1 outperformance and our confidence in executing at a high level through the rest of the year.

We are already making progress against the 3-year 2028 compound annual growth rate framework we outlined in the Investor Day. Q1 was a strong and encouraging start to this journey. Our revised consolidated outlook for continuing operations for 2026 calls for revenues in the range of \$3 billion to \$3.1 billion, adjusted EBITDA in the range of \$343 million to \$370 million, non-GAAP EPS in the range of \$4.40 to \$4.80. This outlook assumes an operating environment with no change in the current financial pressures and uncertainties for our customer, no material changes in the company's decisioning posture, no meaningful increase in the unemployment rates for our customer base, an effective tax rate for non-GAAP EPS of approximately 26% and no impact from additional share repurchases.

To summarize, Q1 was a great start to the year with broad-based outperformance across our businesses and disciplined execution in the areas within our control. We delivered improving trends of Progressive Leasing, sustained high growth and expanding profitability of Four and early progress with Purchasing Power as integration continues.

At the same time, we strengthened the balance sheet, bringing net leverage back within our target range while maintaining a prudent approach to capital allocation. As we look ahead, we remain focused on driving profitable growth, managing portfolio performance while executing against our strategic priorities and navigating a still uncertain macro environment.

I'll turn the call back over to the operator for questions. Operator?

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) And our first question comes from the line of Kyle Joseph of Stephens.

Kyle Joseph^ Congrats on a really strong start to the year. Steve, would love to kind of pick your brain on macro. Obviously a lot of moving parts throughout the quarter. Initially, we were expecting higher tax refunds and then you get into March and higher gas prices. But just kind of walk us through the moving parts of macro and maybe how those impact your businesses differently? We're no longer just focused on leasing.

Obviously Four had a really good quarter and we're obviously new on the Purchasing Power side of things. So just a little bit of macro kind of evolution through the quarter and differing impact across the businesses.

Steven Michaels^ Yes. I guess I would start by saying that we do have this multiple product ecosystem, but they do have connections in that they serve a very similar customer across the products. So to the extent that the macro overlay has an impact, it's not identical, but it's directionally similar across the products. And we have the benefit of being able to see it -- see the customer behavior and the influence on the customers across those products and can use that to help -- as insights into all the products.

As the quarter played out, and you called out a few of those things, we're always used to preparing for a tax season. We thought the tax season was going to be higher. Tax season actually played out about as we expected. It was higher but not maybe as high as some people were reporting back in August, September, October timeframe for our customer. Certainly, refunds were up across the board. But for our customers, they were up somewhere in the whatever high singles to low doubles range, and that was about what we were planning for.

And as Brian said in his remarks, we did see in the leasing business less -- or, fewer customers choosing to exercise their 90-day purchase option. And we've seen that in over time in different cycles when customers might be making different decisions about the liquidity the tax season brings, they're making payments to stay current but not necessarily accelerating a payoff of an obligation. And that played out. Some of the other products don't exactly have that kind of accelerated repayment early -- during the tax season. So less of an impact outside of leasing.

Certainly, gas prices during the month of March became a bigger story. The consumer is stressed but resilient. I mean I think that's the common refrain. We're watching all of our early indicators intensely. We're seeing basically evidence of that stress but resilience. So we feel good about where we're positioned. The tightening in the leasing that we did in the first quarter of '25 has I think served us well and positioned the portfolio to be able to withstand some of the stress, so we saw a really good first quarter, and we're watching the numbers closely and watching the early indicators, but poised for some good momentum to continue.

Kyle Joseph^ Got it. That was broad-based, but I appreciate you covering it all. Just one follow-up for me. Obviously a tough retail environment even going into the year and then layering in gas prices. Just kind of want to get an update on your discussions with retail partners kind of given now you have a bigger suite of products and given, call it, some more incremental headwinds for retailers?

Steven Michaels^ Yes. I mean that's kind of more of the same on the retail, especially in consumer durables that the leasing business addresses. Our biz dev teams are doing a good job. They've -- they had some wins in the back half of 2025 and have a very, very

good pipeline of retailers of all sizes that we think we're making progress with from a sales age progression standpoint.

So we continue to believe that our suite of products, with leasing at the retail level being the largest one, are things that can help retailers. We are having increased conversations about a multiple-product solution with various retailers, bringing Four into the mix or on the Purchasing Power side, bringing other products to employers to be able to offer additional value to their employees on that voluntary benefit platform. So we look forward to continuing to really dive into that ecosystem strategy and business development in our B2B2C businesses, specifically leasing and purchasing power, is a big part of it.

Operator^ Our next question comes from the line of Bobby Griffin of Raymond James.

Robert Griffin^ Congrats on a good start to the year. I guess Steve, I wanted to first ask like when you've seen that customer behavior before with a lower expected 90-day buyouts. Has that historically given you kind of any insights into what the customer does for the back half of the year? Is there anything to like learn or kind of how that plays out and what the health of that customer is when you see that?

Steven Michaels^ Yes. I'll start and Brian can certainly fill in the gaps. But there's no perfect kind of corollary, but we have seen in the past, specifically in 2023, coming off of a really tough '22 from an inflation standpoint but also a pretty material tightening that we did in the leasing business. We saw a very low 90-day buyout take rate on our customers.

Then what we saw was those customers kind of just -- they stayed in their leases longer which is a theme that we've talked about for a couple of quarters here on the leasing business. So not doing a 90-day in that time period, '23 did not indicate or necessarily mean that the customer was going to do a straight roller through the buckets and end up having elevated charge-offs, they end up paying deeper into their lease and maybe doing an early buyout, maybe later in the lease or going to full term.

Certainly, some do end up in charge-offs, but we saw from a margin standpoint that this was a margin positive kind of trade-off because, as you know 90 days, a very low margin outcome for us and the deeper they go in the lease is better. So we're watching that closely to see what the kind of the next action is. If the 90-day window expires which a lot of it did in March because of the holiday -- the holiday uptick in leasing activity, and it expires on exercise what happens and how do those customers continue to pay us. So far, we're pleased with the roll rates and other indicators in the portfolio health. It's not -- we're not expecting a mirror of '23, but we are looking to that period to help with our forecasting.

Brian Garner^ Yes. I would just add, I mean it is the right question. As you just kind of evaluate consumer health overall. We talked about 210 basis points improvement in gross margin at leasing in the quarter, primarily driven by this dynamic. I think what's reflected

in our outlook is a view that this is going to be a net positive for us, the tailwinds from lower 90 days. You might see some pressure and maybe some potentially some delinquency trends that you watch, but I'm not anticipating that there are anything significant. We saw write-offs come down 10 basis points year-over-year. So as you see us increase our outlook, and at least in specifically, we expect this kind of disposition dynamic and a shift towards lower 90 days to be a net positive for the P&L over the course of the year.

Robert Griffin^ Okay. That's helpful. I appreciate the details. Then maybe lastly for me, just on the actual GMV trends within Progressive leasing side, flip back positive in the quarter. Can you unpack a little -- is that just a function of the comparisons? Or is that actually in a sign of kind of inflections in consumer trends or whatnot. I guess I'm just asking it in context, I believe you did call out double-digit growth in apps which would probably reflect some of the comparisons dynamic too with the Big Lots. So just trying to understand what is more comparison driven or if it's an inflection on that consumer engagement with the product and maybe seeing -- start to see a little trend improvement.

Steven Michaels^ Yes. We're pleased with the trends as we exited the quarter. Specifically, as the quarter progressed, like we talked about, it was kind of down high singles in January when we had both of those two discrete headwinds still in force. Then improved to down low singles in February as we lap that those things during the month and then up low singles in March.

If you remember kind of through most of 2025, we called out what the GMV trends would have been were it not for those two headwinds. And we were in kind of the low to mid-singles as air quotes the rest of the business that did actually decline in Q4 down to only up 1% absent those headwinds.

So a lot -- much of it is kind of what the business has -- how the business has been performing, absent those headwinds over the last several quarters, but we're also seeing some strength in our digital channels. We talked about marketplace being up again 169%, ecommerce as a percentage of total leasing GMV up at 25.7% and the highest first quarter mix to date and also some various projects that we got over the goal line with existing retailers to help to improve that integration and improved balance of sale.

So there's a mix of freeing up from the lapping. It also -- some things are positively trending in our execution. The apps are a strong point, but apps have to turn into approvals that have to turn into conversions and that those things can vary by channel. So -- but we're pleased with how we exited the quarter and how it sets us up for the rest of the year.

Operator^ Our next question comes from the line of Hoang Nguyen of TD Cowen.

Hoang Nguyen^ And congrats on the quarter. Just a quick one for me. So you mentioned about some of the cross-selling synergies between leasing and purchasing power. I think you're still in the early days, but can you give us some of the flavor of the conversation

that you're having? Are you seeing a lot of inbound engagement from both sides of the enterprises? And I have a follow-up.

Steven Michaels^ Sure. Yes. I mean that's definitely part of our plan. It was identified during diligence, and we plan to execute on it. We talked a little bit about it during Investor Day. But we believe that the deep and long relationships that we have with retailers on the leasing side are fertile ground for us on the biz dev side for Purchasing Power and those efforts are underway. Purchasing Power has several employer clients that happen to be retailers that we believe could benefit from offering leasing to their customers, and those discussions are happening as well as augmenting the Purchasing Power offering with additional products that our intelligence says their employees are already consuming in the broader market.

So if we can deliver that to them as a voluntary benefit, we think that's a big benefit and differentiator for Purchasing Power to help with the sales motion in those employer clients. So we're pleased, and we're excited about the opportunity. But as you called out, we're very early in the integration because we're still just a few months post closing.

Hoang Nguyen^ Got it. Maybe one for Brian. So you guys have now returned back to your targeted leverage range, although at the high end. I think historically, you guys have done opportunistic buybacks. So I guess I mean when can we expect you guys to kind of get back to the market and buy back shares at these prices?

Brian Garner^ Yes. We haven't given any plan specifically to our buyback cadence. I think what I'd offer is you saw here in Q1 with the highly cash generative period, our ability to deploy capital against the deleveraging. And as we look forward over the course of the year, into Q2 and Q3. I think you continue to see some cash generation during those periods. What I think is on the horizon in Q4 is now you have these three businesses and progressively seeing Purchasing Power and Four that are seasonally heavy in Q4 in terms of the GMV concentration in the fourth quarter and the utilization of cash in that in that period.

So I think the calculus is just kind of going through our capital allocation priorities of investing in the business first before we look to those kind of share repurchase type options. We're sizing up that fourth quarter and just kind of assessing the cash needs during that period. But that's really the calculus. To the extent that we have excess capital, we'll go through that decision-making process, obviously we're bullish on where we think this business is going and the share repurchases have been part of our RevPAR in the past, and we'll continue to evaluate them.

Hoang Nguyen^ Got it. And congrats on the quarter.

Operator^ And our next question comes from the line of Anthony Chukumba of Loop Capital Markets.

Anthony Chukumba^ Let me have my congrats on a strong start to the year as well. So I just had a question on Four, incredibly impressive performance there. As I look at the revised guidance, so if I take kind of the midpoint of the adjusted EBITDA and the revenue, it would imply that the EBITDA margin was -- in the previous outlook was calling about 15.1%, and that goes up now to about 18.2%. Given the fact that the take rate is consistent, I'm assuming that, that's just greater scale in terms of that higher EBITDA margin? Or is there something else there as well?

Steven Michaels^ Yes. Thanks, Anthony. Yes. We're very pleased with Four, it's the start to the year, but also the position it's in and what we think we can accomplish with it. You're right, we did increase our view as to the margin expansion that we could achieve this year versus last year as we set about executing on that path towards a more mature state that we think is materially north of where we'll be in '26.

It is largely due to scale, but I would say that this team at Four is doing an outstanding job of doing more with the same and in some cases, doing more with less. They have leaned into AI in a very aggressive way and are not only achieving customer-facing improvements and innovation but also back office savings. So we -- it is a scale play but it's also an efficiency play and just the subscription strength and stickiness or said another way lack of churn has been a bright spot and that revenue is very high-quality revenue that flows through to earnings in a meaningful way.

Anthony Chukumba^ Got it. Okay. Then I just have to ask my obligatory question in terms of the retail partner pipeline and Progressive Leasing.

Steven Michaels^ Yes. Thank you. Yes. I mean as I think I was saying to Kyle, the biz dev team is really doing a great job. They're out there. They're talking. They had some wins in the in the back half of '25 that will pay us dividends here in '26 and the pipeline is full with retailers of all sizes. We're constantly getting new doors out in the SMB space. That's kind of a different team than the folks that are hunting the super regionals and the enterprise accounts, but we're very pleased.

We've got a great offering and a great way to tell the story. The ecosystem strategy reinforces that story, even though it might be a leasing conversation. We have more earned authority around this customer and have more products. So those are all helping us have some successes, and it's our expectation that we'll have some more wins here this year in '26.

Operator^ Our next question comes from the line of Hal Goetsch of B. Riley Securities.

Harold Goetsch^ Congratulations on a [great] quarter. With the acquisition of Purchasing Power, and I think hitting the asset back market for some of their receivables, you've got some new items on your income statement, gain of sale based receivables came on changes or value of receivables. I'm wondering if you could just give us some color on how we should think about any thumb-rule we should use in modeling for those types of

line items in your income statement going forward since you've got this new business, and it's a little bit of flow for us to help us predict the future with it.

Steven Michaels^ Yes. I'll start, and then I'll turn it over to the expert, Brian, but you're right, and we appreciate that. I will call out the difference in the two things that you specifically mentioned. The gain of sale of aged lease receivables is not purchasing power related. That's on the leasing side. We did that in Q4 of last year and again in Q1 of this year, and I would -- we had not done that historically, but I would point that to be - to you that is not a onetime thing.

That is going to be a recurring motion that we're in. It's probably not going to be to the same quantum as Q4 and Q1 moving forward, but we do have an inventory of items that - or not items, but charge on leases that we have been working internally that we will then turn to sell into the open market. So that would be something that would be -- we consider to be a recurring item. The -- I'm going to let Brian talk about the Purchasing Power side because there is some purchase price accounting and fair value stuff that is -- that we have excluded out of -- or we've not had in adjusted EBITDA for the reasons of -- it's not kind of an ongoing thing.

Brian Garner^ Yes. It's -- really, that line item is related to the acquired receivables from purchasing power and they were fair valued on the data acquisition and really what that line represents. It's just a continued evaluation of the fair value of those receivables. You might see a few million bucks in any given period. But like Steve said, this is really more of a technical accounting dynamic and bleeding through from the fair value on the acquisition date. So we've made the decision to adjust it out of -- or added back to adjusted EBITDA to -- for more of a consistent presentation. So -- it's hard to give you any guidance on exactly how that's going to move. A lot of that has to do with collection activity and what actually occurs relative to what we thought was going to be the value at acquisition date. But I don't expect it to be material in any given period. It should be speed slight adjustments each quarter.

Harold Goetsch^ Okay. Terrific. Then the first point, as Steve mentioned, is this -- are these more like money is received on basically a recovery basis from selling past due accounts. Is that basically what it is, I hear that correct? And --

Steven Michaels^ Particularly aged -- age lease receivables. So receivables that we charged off in some cases years ago, and we sell them to a third party and it's not the dollars are sizable, but the percent -- the pennies on the dollar are not that big, but then they go out and they attempt collection efforts. It's not a consignment, it's actual sale where they -- we don't like share in the -- we get our money up front and then they go out and do their attempt to collect.

Harold Goetsch^ Understood. Okay. If I could ask you -- I know I understand like on the Buy Now Pay Later, Q1 is a very big quarter because a lot of the payments from a very heavy holiday season come in the first quarter you have the subscriptions to your take

rate is good. But your margins in the first quarter are like -- were better than most people in the industry already.

I was just wondering if there's like a -- if this is -- our margin reflected maybe not being fully burdened with the corporate overhead. Does that make sense? If the margins are quite high, and I'm just trying to figure out like this was a stand-alone comp may be lower because there'll be more corporate overhead associated with it.

Steven Michaels^ Yes. I mean if it was -- I think that's fair. But the margins are high. I mean 37% EBITDA margin is impressive. But as you pointed out, Q1 is the seasonally high quarter. And as Anthony pointed out, like our guide implies something in the range of half of that for the full year. So that shows that we're still in the scaling phase and haven't reached the maturity of some of the pure-play competitors that are out there, but we believe that the progression from loss-making in '24 to low teens in '25 with margin expansion at '26, but paints a nice picture of our ability to get up to those margin levels of the pure-play competitors.

Operator^ Our next question comes from the line of Brad Thomas of KeyBanc Capital Markets.

Bradley Thomas^ Congrats on the next quarter here, guys. I wanted to just follow up on the GMV growth that you're seeing at the end of the quarter within Progressive Leasing. And just curious if you could speak to perhaps the -- your confidence level that we may be at an inflection point here and may be able to continue to drive growth in that GMV in 2Q and through the balance of the year. Then just how we should think about the timing potentially of the portfolio flipping to growth again and when PROG leasing then flip to growth again?

Steven Michaels^ Yes. Thanks, Brad. I'll start and Brian can talk about the gross lease assets portfolio. But actually, the GLA is part of my answer. We don't guide specifically to GMV on a quarter-by-quarter basis. But I think that in order to achieve the revenue guide that we did put out for the leasing business, it would need to imply that we followed similar trends coming out of Q1 into the balance of the year. And -- but on the revenue side, a lot of that will be exactly what you called out the portfolio size.

We made some good progress here this quarter, but I'll let Brian kind of chime in on that.

Brian Garner^ Yes. I think what I'd highlight there is starting the quarter, Brad, we were -- our portfolio size which is the key driver of revenue was down 9.4% start, and we made progress as Steve has articulated, kind of step functioning up our GMV trajectory. So we ended the quarter down 5.4%. The net -- sorry, 9.4% to 5.4%. The net impact of revenue in the period was revenue was down 8.4%. And so there's a pretty good corollary between kind of the average portfolio size year-over-year and where revenue is trending.

So you kind of extend that trend line into Q2 and Q3 and what we've got kind of implied in our revenue for Progressive Leasing for the rest of the year. I think what you said

would really have to play out which is we have to see a continued improvement in that trajectory. The gross lease asset balance continuing to make progress towards growing year-over-year as the year moves on in order for us to hit that revenue target.

So I like the trend there. I think it's -- we're taking month by month and we continue to make progress. But I think as we now pass these difficult comps that I feel like we've been talking about forever what they lost and the tightening action. I think we can now have an easier conversation just about the apples-to-apples periods, year-over-year, and I think they're trending favorably. So I don't think it's too far down the road before we're seeing that portfolio size larger year-over-year.

Bradley Thomas^ That's very helpful. If I could ask a follow-up around the cash flow generation. Brian, I apologize if I missed it in your prepared remarks, but what does the guidance imply for free cash flow this year? Can you remind us if there's anything that's sort of maybe onetime that wouldn't repeat as we look to cash flow next year? Then it seems like you could boost margins nicely if you paid off some of this funding debt, are you considering paying that off?

Brian Garner^ Yes. It's a good question. So just a couple of things. We haven't provided free cash flow guidance, but what I will say is if you just kind of take it quarter-by-quarter here, here in the first quarter, post acquisition on January 2, we were able to pay down total debt of \$254 million. So very heavy cash generative quarter, it gives us a lot of optionality. And as we stated out the gate here, our prioritization is deleveraging back to our targets.

As we look forward to Q2 and Q3, I think both of those quarters will be slightly cash generative and give us additional optionality around either further deleveraging or evaluating -- putting the cash elsewhere. Q4 is -- and I mentioned this to Hoang is where there's going to be a net cash need I anticipate just with the growth that really these three businesses are demonstrating right now and not talking about MoneyApp which has also shown some encouraging trends.

And so I think we've kind of got that lens that we're looking through and the cash decisions that we're making. But net-net highly cash generative even in a growth -- heavy growth anticipation for Four and then Purchasing Power double digits and Progressive Leasing turning the corner on growth.

So the onetime aspect that I would just highlight, and we've spoken about it on prior calls, and that's with respect to the BBA, and that's -- I wouldn't even call that necessarily onetime because given that, that is permanent in the law, that's going to continue to benefit us. But we did have a \$20 million tax refund at just under \$20 million that we ended up getting here in Q1 really to 2025, that was additive, and the BBA is going to continue to benefit the rest of the year just as it reduces our overall tax liability, and we sized that rough benefit of about \$100 million for the 2026 period.

So those are -- that's, I think a tailwind, obviously from a cash perspective. But going forward, I think we've got a lot of optionality. You asked about the funding debt, the ABS debt that's tied to Purchasing Power. Our view is that that is an important tool for Purchasing Power right now. I think it's an efficient model for them to be able to borrow against the receivables that they're generating and help us from just a capital efficiency standpoint.

So obviously as long as the ABS market is favorable to us and the rates that we disclosed here in our Q, you can see them by tranche. They're relatively favorable for us. And I think we continue marching down that path. No plans to pull those back meaningfully in the near term at least.

Operator^ This concludes the question-and-answer session. I will now turn it back to Steve Michaels, President and CEO, for closing remarks.

Steven Michaels^ Thank you very much for joining us today. We delivered a strong first quarter with improving trends across the businesses, and we're entering the balance of the year with real momentum. I want to thank all of the team members across PROG Nation for the execution we've seen as well as our retail partners and employer clients and our customers for trusting us. I firmly believe the best chapters of PROG story are still ahead of us.

Operator^ Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.